

Message Text

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ACTION EB-07

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UNCLAS THE HAGUE 6527

E.O. 11652: N/A

TAGS: ETRD, EFIN, NL

SUBJ: AUTOS AND TAXES -- BIG AIN'T BEAUTIFUL

1. SUMMARY: PRESSED FOR REVENUES, THE GON IS GOING TO IMPOSE HEAVY TAXES ON AUTOMOBILES BEGINNING JANUARY. SINCE THE NEW RATES ARE PROGRESSIVE ACCORDING TO WEIGHT, THEY MAY HAVE SOME ADVERSE IMPACT ON IMPORTS FROM US ALTHOUGH COMPARABLE CARS FROM OTHER COUNTRIES INCLUDING EC WILL BE SIMILARLY TAXED. WE WOULD APPRECIATE DEPARTMENTS COMMENTS AND GUIDANCE IF IT IS BELIEVED DESIRABLE FOR US TO RAISE THIS ISSUE WITH THEGON. END SUMMARY.

2. DURING PRESENTATION OF BUDGET LAST MONTH, FINANCE MINISTER DUISENBERG INTRODUCED A PROPOSAL TO INCREASE RATE OF ANNUAL TAX ON MOTOR VEHICLES TO CLOSE A 250 MILLION GUILDER (1 DOLLAR 2.69 HFL) BUDGET GAP. HOWEVER DUISENBERG'S BILL WAS REJECTED BY SECOND CHAMBER, WHICH CRITICIZED IT FOR HIGH RATE OF PROGRESSION PLACING TOO GREAT A BURDEN ON LARGER CARS. CHAMBER'S AMENDMENTS CALLED FOR A CONSIDERABLE DROP IN PROGRESSION TO BE COMPENSATED BY INCREASED TAXATION ON GASOLINE.

3. BOWING TO CHAMBERS DEMANDS, DUISENBERG LOWERED PROGRESSION
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BY ALMOST 50 PERCENT ACROSS THE BOARD, AT THE SAME TIME COVERING

LOSS OF REVENUES BY INCREASING PURCHASE TAX ON CARS BY 1.5 PERCENT (FROM 16 TO 17.5 PERCENT) FOR CARS WITH A LIST PRICE OF TEN THOUSAND GUILDERS AND UP, AND RAISING EXCISES ON GASOLINE BY 0.08 GUILDERS TO 1.82 GUILDERS PER GALLON. NEW MOTOR VEHICLE TAXATION RATES COMPARED WITH OLD ARE AS FOLLOWS:

CAR WEIGHT IN KILOS	TAX RATES		PERCENT INCREASE IN
	IN GUILDERS:	TAX RATES:	
	1975	1/16/76	
600	193	219	13.5
800	257	306	19.1
900	289	360	24.6
1000	321	432	34.6
1100	354	505	42.7
1200	386	579	50.0
1300	418	651	55.7
1400	450	724	60.9
1500	482	801	66.2
2000	643	1162	80.7
2500	804	1529	90.2

4. DURING PAST WEEK MOTOR VEHICLE TAX AND PURCHASE TAX FOR CARS WERE ADOPTED BY FIRST CHAMBER, AND ARE EXPECTED TO TAKE EFFECT ON JANUARY 1ST AND 16TH, 1976 RESPECTIVELY. BILL FOR INCREASED EXCISE DUTIES ON GASOLINE WILL BE PRESENTED TO PARLIAMENT EARLY NEXT YEAR.

5. ALTHOUGH NEW MOTOR VEHICLE TAX RATES REPRESENT SOME ACCOMMODATION TO PARLIAMENTS DEMANDS, THE COMBINATION OF INCREASED MOTOR VEHICLE TAX, PURCHASE TAX AND EXCISE DUTY ON GASOLINE MAY STILL AFFECT CAR MARKET SINCE TAXATION PLACES HIGHEST BURDEN ON MORE EXPENSIVE AND HEAVIER CARS SUCH AS ALMOST ALL US MAKES, MERCEDES-BENZ AND VOLVO, UNDERLINING MINISTER DUSENBERG'S INTENTION TO PROTECT SMALLER CAR OWNER AND POSSIBLY TO GIVE THE SMALLER DUTHC PRODUCED DAF CARS A COMPETITIVE ADVANTAGE.

6. ACTION REQUESTED: PLEASE LET US KNOW WHETHER DEPARTMENT BELIEVES EMBASSY SHOULD RAISE THIS PROGRESSIVE TAX ISSUE WITH GON.

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